EFT PILOT PROJECT DESIGN FOR IOWA

THE IOWA-NEBRASKA ELECTRONIC FUNDS TRANSFER PROJECT

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Prepared By:

TransFirst Corporation
17304 Preston Road
Dallas, Texas 75252
John M. Nickerson
Ernen M. Haby

Under Subcontract To:

Policy Studies Inc.
1410 Grant Street
Denver, Colorado 80203

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Exhibit D

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SECTION I.

OVERVIEW

Receipting and disbursing child support payments is a major activity in courts and child support enforcement offices across the country. The traditional approach to this process is to receive paper checks from obligors, record the payments, and send paper checks to obligees. In light of the growing availability and use of electronic funds transfer technologies, the traditional approaches to handling paper checks may be unnecessarily costly to child support agencies and courts. The exclusive use of paper checks may also unnecessarily delay movement of payments from obligors to obligees who need those funds to pay for their children's expenses.

This report is a part of the Iowa-Nebraska Electronic Funds Transfer Project. The purpose of the project is to explore the possibilities of using electronic funds transfer (EFT) technology and applications to increase the speed and efficiency with which child support payments reach obligees. Earlier reports produced as a part of this project gave an introduction to EFT technologies and their potential applications to child support collection and distribution. Other reports provided a detailed description of the current receipting and disbursing procedures. This report furthers that purpose by prescribing a design for a pilot project to test and evaluate the cost effectiveness of the electronic funds transfer applications identified as having potential for improving payments handling.

This pilot project design report includes functional specifications for the systems necessary to accommodate the selected EFT applications. The report also includes a workplan outlining the steps necessary to implement the applications and, finally, describes the costs and benefits anticipated from their implementation and operation. Sample authorization forms for use in the project were submitted in an earlier report.

The processes included in this pilot project design include the following EFT applications to child support collection and distribution:

Direct Deposit of Income Withholding. A growing percentage of child support payments are being made in the form of income withheld from employee's paychecks. Currently employers send a single check each pay period to the child support agency for all obligors/employees for whom they are required to withhold child support payments. If there is more than one obligor involved, the employer sends a list of the obligors and the amounts of child support being remitted for each obligor with the single check to the receipting entity. The process of receipting income withholding payments for multiple obligors is one of the most labor intensive elements in Iowa's child support collection.

This application of EFT technology for the income withholding process utilizes employers' existing systems for direct deposit of payroll to submit child support payments. The process would require the employer to add an additional payment account number into the payroll system used to handle direct deposits. Each time payroll was processed, an ACH file would be created by the employer as it normally is for the direct deposit

process. The employer's financial institution would initiate an ACH transmission that would result in a credit to the CSC's account. The CSC would be advised of the credit for each obligor on a daily statement or by electronic data transmission.

For the employer, direct deposit eliminates the time and expense of preparing and sending a check and its associated payment listing to the CSC. Direct deposit would also speed the deposit process and reduce the workload for the CSC staff.

Automatic Withdrawal from Obligor Checking Accounts. This EFT application is already available to obligors paying through Iowa's CSC. Daily, the CSC submits a computer tape through the bank to effect the transfer of funds from the relevant obligor's account to the state's account. At the time the tape is created, the state's computer system also creates an entry of the receipt to the obligor's account, making entry of a receipt to the ICAR system unnecessary.

The primary benefit of this process is the reduced manual effort in processing incoming paper checks. The obligor benefits by not having to take the time or expense to mail a check. Obligees benefit by receiving child support faster and more regularly.

Direct Deposit to Obligee Checking Accounts. Iowa's CSC is already capable of creating a daily computer tape that results in an ACH network transfer of funds from their account to obligees' accounts. Obligees enjoy the advantage of receiving payment earlier and of avoiding the need to take or mail their child support payment to the bank. The benefit to the CSC is that a direct deposit potentially eliminates the cost of producing and mailing state warrants.

Charges to Obligor Credit Card Accounts. Accepting credit card payments from obligors has as its primary advantage the ability to offer obligors another means of remittance that may increase the likelihood of consistent payment. For prearranged periodic charges, the agency would periodically submit to the processor or bank an electronic file of accounts for credit card charges. Similar to automatic withdrawals, the CSC deposit account would reflect the payments received within a few days after the data transmission was created.

Additional features and options for each of these EFT applications for child support collection and distribution are described in the systems specification section. More information on costs and benefits is provided in the cost benefit summary section.

SECTION II.

SYSTEM SPECIFICATIONS

INTRODUCTION

This document provides functional specifications for the systems necessary to implement EFT applications for child support collection and distribution in the state of Iowa. It provides a high-level description of the functional requirements of new systems to be designed or purchased as well as of necessary modifications to existing systems.

It is anticipated that more detailed design documents would follow this document before programming was begun. This document is intended to provide sufficient background to allow a systems analyst to move forward with general design and detail design phases with little additional orientation. Additional description of the project and current child support collection procedures have been included to meet this aim.

As outlined in the document, some choices remain in deciding exactly how the system should be implemented. Some choices are a matter of service policy while others are a matter of cost. Still other choices depend on the capabilities of the service provider chosen for processing the ACH and credit card transactions and the capabilities of the financial institution receiving direct deposits from employers.

DIRECT DEPOSIT OF EMPLOYER INCOME WITHHOLDING

GENERAL INFORMATION

Nature of the System

A growing percentage of child support payments are being made in the form of income withheld from employee's paychecks. Currently employers typically submit a single check each pay period for all obligors/employees for whom they are required to withhold child support payments. If there is more than one obligor involved, the employer sends a list of the obligors and the amounts of child support being remitted for each obligor with the single check to the receipting entity. The process of receipting income withholding payments for multiple obligors is one of the most labor intensive elements in Iowa's child support collection process.

This system would utilize existing employers' systems for direct deposit of payroll to submit child support payments.

Environment

Iowa and Nebraska are being used as case studies to assess the applicability of EFT technologies to child support. This document is sponsored by the Iowa-Nebraska Electronic Funds Transfer Project.

OVERVIEW

Purpose and Scope of the System

Income withholding refers to an obligor's earnings being withheld by his/her employer and sent to the CSC as a child support payment. Income withholding is required by federal law for IV-D cases in arrears by an amount equal to or exceeding the support payable for one month. In addition to those obligors required by law to pay child support through income withholding, a few obligors voluntarily pay through income withholding.

This application of EFT technology for the income withholding process utilizes employers' existing systems for direct deposit of payroll to submit child support payments. The process would require the employer to add an additional payment account number into the payroll system used to handle direct deposits. Each time payroll was processed, an ACH file would be created by the employer as it normally is for the direct deposit process. The employer's financial institution would initiate an ACH transmission that would result in a credit to the CSC's account. The CSC would be advised of the credit for each obligor on a daily statement or by electronic data transmission.

Employers have multiple methods of creating an ACH record for child support payments. Many will use a standard payroll direct deposit system that distributes the employee's pay into multiple deposit accounts by ACH transmission. Others may create a special deduction system that deducts the amount from the employee's pay and creates an ACH record to deposit the funds into the CSC's deposit account.

The scope of this document is to define the necessary processes that would need to be implemented by the CSC in order to receive a payment through the ACH system. This document assumes that the employer will create an ACH record by whatever means is most practical and only addresses the methods of receipting the payments into the CSC system.

Performance Objectives

Employers:

Direct deposit eliminates the time and expense of preparing and sending a check to the CSC. Similarly, direct deposit eliminates the time and expense of preparing and sending to the CSC a listing of employees for whom the payment should be applied. Once the employee's child support payment is set up on the payroll system, the employer need take no further action unless the child support amount is modified.

CSC:

Direct deposit payments would be credited to the CSC's account precisely on the payroll date avoiding the current five days or so that elapse while the employer's payroll personnel prepare the list of employees, write the check and send the payment through the mail to the CSC. Automatically depositing these funds would also save the staff time required to physically deposit these items. The process of key-entering the account number and receipt amount may still be needed. However, it may be possible for the CSC to receive deposit information in an electronic format from the bank.

Existing Methods and Procedures

Currently for income withholding cases, employers withhold funds from employee paychecks and remit the funds to the CSC each pay period, or at least once per month, as required by the court order. Most employers send a single check with a listing of amounts to be applied for each employee. This is usually a manual process on the part of the employer performed a few days after the end of the pay period; employers are required to make payment within ten days after the payroll date. The CSC must then key-enter these items into the ICAR system. Since coupons

are not returned with employer payments, the efficiencies made possible by the remittance processing equipment do not apply to these payments. The remittance processor is used to encode, endorse, and microfilm these checks, but does not eliminate the need to manually enter the receipt.

Proposed Methods and Procedures

For each employee on income withholding, the employer (or their payroll processor) would enter an additional payment account number into the payroll system used to handle direct deposits. Many employers who have direct deposit systems have the ability to make deposits into more than one account for each employee. The added account number would be that of the CSC. The obligor's case number or social security number would also need to be added to the employer's record.

Each time the payroll was processed, an ACH file would be created by the employer either as a part of the direct deposit of payroll or as a part of a deduction process.

The ACH file would be transmitted to the employer's servicing financial institution. That financial institution would initiate the ACH transaction that would result in the CSC's account being credited with the specified amount. The CSC's account would be credited on the second working day following the employer's transmission to their financial institution. Since most employers begin the process early enough for employee's accounts to be credited on the day payroll checks are issued, this would result in the CSC being credited with the receipt on the same day that, in the current process, the employer is mailing the child support check to the CSC.

The Treasurer's office would normally receive a record of the transactions on its weekly account statement showing a separate payment for each obligor. Each item on the statement would include the payment amount, the employer's name, the transaction date and either the case number or the social security number for the obligor. The CSC could obtain a copy of the account statement from the Treasurer's office or directly from the financial institution.

The CSC may require more complete information about the payments received, including such key elements as the obligor's name. The financial institution could provide the CSC with a daily listing of the complete ACH record information for each payment received. This listing could be delivered to the CSC in the form of a hardcopy report, a magnetic tape or a file transmission by PC or mainframe.

The CSC would either manually enter the receipts into the ICAR system or electronically update the ICAR system with the file transmitted from the financial institution.

Summary of Improvements

The primary benefit of this process for employers is that it eliminates the time and expense of preparing and mailing a check and a payment listing each payroll period. The child support receipting entity benefits from not having to physically deposit the checks. The receipts would still have to be key entered from the bank statement by the receipting entity, unless an automated interface could be arranged. The obligee should receive child support payments sooner because the employer would time the submission of the EFT data so that the deposit to the agency's account would occur on the date the check would normally be mailed by the employer.

Summary of Impacts

Hardware

The ICAR system resides on an IBM-370 which uses OS/VS as the operating system. The mainframe system includes both tape drive and modem capabilities. Multiple personal computers operate in the CSC for support activity and some of these computers have modem capabilities.

Each of the methods of receiving ACH files from the financial institution can be accomplished with existing hardware. This does, however, assume the periodic availability of a personal computer with a modem.

Software

The ICAR data base is developed in IDMS Cobol as the batch processing software with the on-line software written in ADSO. The Financial institution has four methods to provide the CSC with the obligor's payment information:

- transfer of data through RJE - mainframe computer to mainframe computer,

  transfer of data from personal computer to personal computer,

  transfer of data on tape for processing on mainframe computer,

  transfer of data on a report list.

Software will need to be developed on either the mainframe or personal computer to format the receipting information for input into the ICAR system for the first three methods. The fourth method would utilize the existing process for manually entering receipts.

Operational

Since this system will likely reduce the number of manual entries being made by CSC staff for obligor payments from employers, it should not increase staff workloads.

Organizational

This system should be managed by the CSC with staff that currently operates and reconciles the remittance processing system.

REQUIREMENTS

Functions

This system will be required to perform the following functions:

Receive payment information from the financial institution,

Format payment information for input into the ICAR system,

Report and reconcile activity.

Receipt of payment information from the financial institution may be in several ways:

Transfer of data from the financial institution's mainframe computer to the CSC's IBM-370 could be accomplished utilizing IBM 2780/3780 RJE Workstation software. The file would be transmitted at 9600 baud. The file transmitted to the CSC would contain an ACH formatted record containing detail on each obligors' payment that originated from an employer's payroll system which was deposited to the CSC's account.

Transfer of data from the financial institution's personal computer to one of the personal computers that currently reside in the CSC would be accomplished by utilizing standard personal computer file transfer software (Xmodem). The file that would be transmitted to the CSC would contain an ACH formatted record containing detail on each obligors' payment that originated from an employer's payroll system which was deposited to the CSC's account. Once this file was received on the personal computer it would need to be transferred to the IBM-370 for formatting and input to the ICAR System.

Transfer of data from the financial institution could occur on a magnetic tape. The magnetic tape would be processed at 1600 BPI and would be hand delivered to the CSC for processing. The tape should be standard non-labeled. This tape would be read on the IBM-370 Tape Drive and the file loaded to disk for processing. The file would contain an ACH formatted record containing detail on each obligors' payment that originated from an employer's payroll system which was deposited to the CSC's account.

The financial institution could provide the CSC with a hardcopy report containing a list of the ACH records that were processed on a daily basis. This report would then be used by CSC staff members at existing CRTs to access the ICAR system and input each obligor's payment.

Formatting of the ACH file containing payment information for input into the ICAR system may be accomplished in a couple of ways:

A program could be developed to read each record in the file that was transferred from the financial institution and determine if the ACH record contained the case number or social security number in the ID field (see Appendix A for location of ID field). Case numbers could be distinguished from social security numbers by having the employers add an alpha prefix to case numbers. If the ACH record contained a case number, a payment coupon could be printed and processed by the remittance processing system.

If the ACH record contained a social security number in the ID field, an alternate access method into the case file would be necessary to identify the appropriate case number for that social security number and then print a payment coupon that would be processed through the remittance processing system. Where multiple case numbers were found for a given social security number, an exception would be noted on the daily posting report so manual entry could be made. This would require minimal modification of the ICAR system and could be an independent program.

Another method of input into the ICAR system would be to format the ACH records into a file format similar to the remittance processing system file that is transmitted to the IBM-370 on a daily basis. The ICAR system would need to be modified to merge these records into the remittance processing file for input. This method would still require that a program be developed to interrogate the ICAR system for case information if the ACH record only contained the social security number rather than the case number.

The system should provide sufficient reporting to allow reconciliation of the entries provided to the CSC by the financial institution with the ACH deposit that will be reflected on the CSC's daily transmittal letter to the Treasurer's office. The following reports will be a necessary component of this system:

Input Detail Report

The Input Detail Report will be a detail list of the entries on the ACH file that was transmitted from the financial institution. This report should provide a dollar summary of the entries on the file which should reconcile to the deposit made to the CSC account by the financial institution.

Daily Posting Report

The Daily Posting Report should be produced from the reformat program which interrogates the ICAR system to validate the case numbers or locates case numbers for records which contain the social security number. This report should contain a detail list of the payments that will be applied directly to the ICAR system as well as a detail list of the exceptions which were not applied to the ICAR system. Examples of exceptions are multiple case numbers for a single social security number, invalid case number, invalid social security number, case number not found, case closed and payment amount exceeds remaining payment balance. Total and subtotal amounts should be included to reconcile with other reports.

Coupon Production Report

This report would be necessary if the system were implemented without direct input into the ICAR system. This report would actually be a form which simulates the existing payment coupons and would be printed from the information which would be the output from the reformat program.

Performance

Accuracy

Employers must help identify the type of information the ID number field of the ACH record contains. An alpha character in the first position of the field would identify the number as a case number and distinguish it from a social security number. The system must be designed to reject any social security records that identify or point to multiple case numbers. This system should assume a one to one relationship for entries being made through the ACH.

Flexibility

The program which reformats the ACH file for input into the ICAR system should be be designed to accommodate other types of payments such as alimony payments, should these be collected through income withholding in the future.

Inputs and Outputs

Inputs

Input into the system would be an ACH file transmitted by the financial institution. Specific header information on

the file would be determined by the selected financial institution. Detail records would be in two record formats. The first record would be the company batch header. The company batch header would be followed by all payments originating from the same employer. One or more entry detail records follow each company batch headers. The following are the data elements associated with each type of record format:

Company Batch Header
Reference Appendix A for record format

Entry Detail Record (PPD)
Reference Appendix A for record format

Output

Output from the system would be the following:

A file from the reformat program containing data elements similar to the remittence processing system files for input into the ICAR system

All defined reports

Failure Contingencies

Backup

The file transmitted from the financial institution should be backed up prior to running the reformat program. This will ensure that a processing failure will not require a re-transmission from the financial institution. The formatted file which will become input into the ICAR system should also be backed up prior to processing them as payments.

Fall Back

If for any reason the processing/reformatting system fails and ICAR is unable to accept an automated input, the Input Detail Report will contain sufficient information to determine appropriate case number so that payments may be manually entered.

If for any reason the financial institution is unable to transmit the ACH file to the CSC, the weekly account statement normally received by the Treasurer's office will

contain the following information which could be used to determine appropriate case numbers so that payments may be manually entered:

Name of the Employer
Company Entry Description (i.e. "Payroll")
Amount of Payment
Individual Identification Number (which will be either social security number or case number)

Recovery and Restart

The system should be designed to allow automated payments to be reversed in an automated environment. This means that a program should be developed to read the reformatted file which became input to the ICAR system and produce a cancellation for each payment. This would be necessary if for some reason the financial institution transmitted duplicate records to the CSC.

Documentation

The following documentation should be produced and become an inherent part of this system:

Operations Manual containing instructions on receiving the ACH file from the financial institution, running the reformat program, producing reports, preparing the file for processing into the ICAR system, and all supporting documentation for fallback and restart/recovery procedures.

User's Manual containing information on a detail level of all reporting, reconciliation procedures and exception processing.

General Design and Detail Design documents which are produced to develop this system.

OPERATING ENVIRONMENT

Equipment

IBM-370 Mainframe

IBM Tape Drives

Personal Computer

Support Software

IBM 2780/3780 RJE Workstation software

File Transfer software for Personal Computer

Interfaces

Transmission interface to financial institution

Upload capability from personal computer to IBM-370 mainframe

Controls

The system should be designed to limit the possibility that a previous transmission from the financial institution or a duplicate reformatted file could be processed. If the transmission file is backed up, the reformat program could delete the transmission file after processing. If the reformat file is backed up, the ICAR system could delete it after processing.

The ICAR system should be modified to reject identical payments being made with the same effective date and allow them to be processed as exceptions.

AUTOMATIC WITHDRAWAL FROM OBLIGOR CHECKING ACCOUNTS

GENERAL INFORMATION

Nature of the System

This EFT application is already available to obligors paying through Iowa's CSC.

Environment

Iowa and Nebraska are being used as case studies to assess the applicability of EFT technologies to child support. This document is sponsored by the Iowa-Nebraska Electronic Funds Transfer Project.

OVERVIEW

Purpose and Scope of the System

Automatic withdrawal from obligor checking is already available to obligors paying through Iowa's CSC. Daily the CSC submits a computer tape through the bank to effect the transfer of funds from the relevant obligor's account to the CSC's account.

The scope of this document is to define the necessary processes that would need to be implemented by the CSC in order to receive a payment request through an audio response unit (ARU). This document will also address the necessary modifications required to ensure that an ACH payment will not be allowed until after the prenote period has elapsed.

Performance Objectives

Obligors:

By initiating the automatic withdrawal through an ARU, the obligor will be able to manage his/her checking account more closely and determine the day the withdrawal is made. This eliminates the check writing process but allows the obligor a way to manage his/her checking account balance.

CSC:

A primary benefit of automatic withdrawal is the reduced manual effort in processing incoming paper checks. The most significant hurdle in implementing the automatic withdrawal program is gaining adequate voluntary participation among obligors. Many obligors are uncomfortable with automatic withdrawal since they cannot be sure their account will have enough funds to cover an automatic withdrawal every month on the same day. Participation should be greater with this system which allows the obligor to determine the day the withdrawal is made by calling an ARU.

Existing Methods and Procedures

The automatic withdrawal from an obligor checking account has been offered by the CSC since May 1988. Currently, only a few individuals pay this way because this service is still in the initial implementation stages. The CSC submits a computer tape daily through the State's servicing financial institution to effect the transfer of funds from the obligor's account to the CSC's account. At the time that the tape is created, the ICAR system is automatically updated, eliminating the need to enter the receipt. The only entry required in these cases is for those rare instances when the automatic withdrawal cannot be completed due to insufficient funds. In these cases a manual correcting entry to the ICAR data base is required.

Proposed Methods and Procedures

Instead of the obligor signing up for a withdrawal that occurs on a specific schedule, he will call an audio response unit (ARU) and, through a tone generating telephone, update the ICAR system with the amount of payment and effective date that the payment should be made. All other methods and procedures will remain the same.

This system could also be used by employers to have the CSC withdraw funds for income withholding payments. The process would be the same as for an individual obligor except that the account from which funds were withdrawn would be the employer's account and the access code would be issued to the employer only.

Summary of Improvements

The obligor benefits from eliminating the need to mail checks while maintaining the flexibility to manage his account balance. To the extent that these conveniences increase obligor participation in automatic withdrawal, the CSC benefits from the reduced effort in processing incoming paper checks.

Summary of Impacts

Hardware

The ICAR system resides on an IBM-370 which uses OS/VS as the operating system. Multiple personal computers operate in the CSC for support activity.

An audio response unit (ARU) will need to be acquired. The ARU should be designed as a logical extension of the current system. It should be designed to replace an existing CRT and have the capability to interface with the ICAR application screens. The ARU will perform the function of a person who key-enters information to place an obligor on the automatic withdrawal program. This unit could be driven by existing 317X type controllers that are driving the CRT network.

Software

The ICAR database is developed in IDMS Cobol as the batch processing software with the on-line software written in ADSO. The following modifications to the ICAR Obligor EFT Authorization Screen ID# D479HR01 (see Appendix B) will be required to support this application:

The field defined as "FREQUENCY" would need to support a type "O" for "On Request" payment. This would distinguish between automatic payments and payments requested through the ARU.

Add a "CURRENT EFT AMT" field. This field would always be the same as the CASE EFT AMT unless requested through the ARU for a different payment amount. The "CURRENT EFT AMT field would be used during processing as the "CASE EFT AMT" field is currently being used.

Add an "EFFECTIVE DATE" field. This field would always be set at 3 business days beyond the date the obligor called the ARU so the payment would be processed on the current day by ICAR. Each time an inquiry is performed on this screen, the "EFFECTIVE DATE" field would contain the current date plus 3 business days. If the obligor wished to modify the "EFFECTIVE DATE", i.e., current date plus 5, it would become the new "START DATE".

An "EFFECTIVE" field should be added next to the "PRENOTIFICATION" flag indicating the date that the prenotification will be complete. This date should be 10 calendar business days past the date the account was set up and the prenotification sent out through ACH. A calendar file may need to be created to determine this date. This calendar file should be accessed through a file maintenance screen.

This field would be used by the staff who create the record to notify the obligor when he may begin to utilize the ARU or when the automatic withdrawal payments will begin. If a prenote is returned, this field should be reset for an additional 10-day period after the account information is corrected and another prenote is generated.

The system should compare the "EFFECTIVE" field with the "EFFECTIVE DATE" field prior to initiating the automatic withdrawal transaction. Transactions should be initiated only if the "EFFECTIVE" field shows a date prior to that indicated by the "EFFECTIVE DATE" field.

An "ACCESS CODE" field which will contain the access code selected by the obligor and required to be input during the call to the ARU for identification purposes.

When ICAR processes a record with a "FREQUENCY" of "0", it should blank out the "START DATE" field. The ARU will update the "START DATE" field with the new effective date (3 business days from current date) when a call is completed.

The Obligor EFT Authorization Screen ID#D479HR01 will need to be accessed by "INITIAL CASE NUMBER"

Operational

Since this system will process ARU initiated payments the same as Automatic Withdrawal payments, the system should not create a negative impact on staff workloads.

Organizational

This system should be managed by the CSC with staff that currently operates the automatic withdrawal process.

REQUIREMENTS

Functions

This system will be required to perform the following functions:

Allow an obligor to call an ARU and authorize the CSC to originate an ACH entry for a payment;

Processing of ARU originating payments will be the same as automatic withdrawal payments.

The ARU would function as a CRT operator accessing the Obligor EFT Authorization screen ID# D479HR01. The following represents a sample script and the correspondent functions for the ARU:

"Welcome to the Iowa Automated Collection System."

"Please enter your case number." After receiving input, the ARU will then perform a PF5 using the case number on the Obligor EFT Authorization Screen to determine a valid case number.

"Please enter your Access Code." The ARU will then compare the Access Code entered with the ACCESS CODE field on the screen and continue if a match is found, otherwise, the ARU will speak "invalid ACCESS CODE please reenter". If the obligor makes several incorrect attempts, the ARU will terminate the call.

"The amount of your payment is '$400.00' (from the CASE EFT AMT field). Is this correct? Press 1 for yes or 9 for no."

If Yes, the ARU will place the "CASE EFT AMT" into the "CURRENT EFT AMOUNT" field and move to the next prompt.

If No, the ARU will speak "Please enter the amount you would like to pay. Enter the dollar and cents separately. Enter the dollars you would like to pay and press the pound sign. Enter the cents you would like to pay and press the pound sign. You have entered '$350.00'. Is this correct? Press 1 for yes or 9 for no." After a yes answer, the ARU will place this amount into the "CURRENT EFT AMOUNT" field which will be picked up by ICAR as the new payment amount.

"The effective date of your payment is 'September 19, 1988' (from the EFFECTIVE DATE field). Is this correct? Press 1 for yes or 9 for no."

If Yes, the "EFFECTIVE DATE" will be used to update the "START DATE" field and the ARU will move to the next prompt.

If No, the ARU will speak "Please enter a subsequent two digit month and two digit day on which you would like your payment to be effective and press the pound sign. You have entered 'September 27, 1988'. Press 1 for yes or 9 for no." If no, the ARU will provide another chance to change date.

"You have requested a payment of '$350.00' on 'September 27, 1988'. Press 1 for yes or 9 for no."

If yes, the ARU will speak "Thank you for making your payment through the Iowa Automated Collection System."

If no, the ARU will return to the prompt after "ACCESS CODE" verification.

Performance

Accuracy

The "ACCESS CODE" field should not be allowed to be given to the obligor or any other party over the telephone. It will be important to inform obligors of the importance of maintaining the confidentially of this code.

Flexibility

The ARU may also be configured to provide obligors a method of inquiring on previous payment amounts if so desired.

Inputs and Outputs

Inputs

Input into the system will be through the ARU which will act as a CRT operator. The payment and date fields will be updated by the ARU and the file will be processed by ICAR like the current automatic withdrawal system.

Output

Output from the system would be the same output as currently provided by the automatic withdrawal system.

Failure Contingencies

Backup

The software on the ARU should be backed up for contingency planning should the unit fail and a new unit be required.

Fall Back

If for any reason the ARU is unavailable, customer service can provide the same service by accessing the same CRT screen.

Recovery and Restart

The system should be designed to automatically logon and supply the ARU with the Obligor EFT Authorization Screen. This will allow the ARU to begin processing.

Documentation

The following documentation should be produced and become an inherent part of this system:

An Operations Manual containing instructions on operating the hardware and modifying the software of the ARU;

The General and Detail Design documents which are produced to develop this system.

OPERATING ENVIRONMENT

Equipment

IBM-370 Mainframe

Audio Response Unit (ARU) which attaches to a controller which is currently driving the CSC CRT's

Support Software

ARU development software, which typically comes with the ARU, is required for development of the system.

Interfaces

The ARU will interface with the IBM-370 as a 327X terminal. It will communicate with the IBM-370 through an existing 327X controller.

Controls

No specific controls are necessary for this system.

DIRECT DEPOSIT TO OBLIGEE CHECKING ACCOUNTS

GENERAL INFORMATION

Nature of the System

This EFT application is already available to obligees receiving payments through Iowa's Collection Services Center (CSC).

Environment - Identify the project Sponsor

Iowa and Nebraska are being used as case studies to assess the applicability of EFT technologies to child support. This document is sponsored by the Iowa-Nebraska Electronic Funds Transfer Project.

OVERVIEW

Purpose and Scope of the System

Iowa's CSC currently creates daily ACH tapes that effect direct deposit of funds to obligee checking accounts. This provides obligees with the convenience of not needing to deliver or mail their child support payment to the bank for deposit.

The scope of this document is to define the functional specifications for an ARU to receive obligee inquiries about deposits, to define modifications that may be necessary to ensure a 10-day delay after pre-notification before direct deposits are initiated, and to define modifications that allow concurrent automatic withdrawal and direct deposit.

Performance Objectives

Obligees:

Obligee inquiries can be handled more effectively if routine payment questions are answered by an audio response unit (ARU). This allows customer service personnel to spend more time responding to non-routine inquiries.

Concurrent automatic withdrawal and direct deposit will reduce the number of days required to deliver payment payment to the obligee.

CSC:

By providing a convenient inquiry method for obligees, the CSC may be able to reduce the number of deposit notifications it sends to obligees and thus save administrative expense.

By safeguarding against originating ACH entries earlier that 10 days after the pre-note is generated, the CSC ensures conformity to ACH regulations and avoids generating incorrect ACH transactions.

Concurrent automatic withdrawal and direct deposit allow the CSC to achieve its aim of delivering payments to obligees as quickly as possible.

Existing Methods and Procedures

Direct deposit to obligee checking accounts has been offered by the CSC since May 1988. Currently, only a few individuals receive payments this way because this service is still in the initial implementation stages.

After funds are received from the obligor, the CSC submits a tape of these direct deposits daily to the State servicing bank. The bank submits the transactions to the ACH to effect the transfer of funds from the CSC's account to the obligee's account. The deposit to the obligee's account is completed the day after the tape is submitted to the bank by the CSC.

Currently, a deposit notice is sent to the obligee informing him/her of the receipt. However, Regulation E of the Federal Reserve Board does not require an entity making a deposit into a consumer account to provide a notice of deposit in cases where the deposit amount remains the same from period to period. The receiving financial institution has the responsibility of notifying its customer of deposits made. Notification of deposit is usually given to the customer by both the periodic bank statement and a customer service operator who confirms deposit amounts.

Proposed Methods and Procedures

Obligees will have the opportunity to use any tone-generating telephone to access an audio response unit (ARU) to determine when the last payment was made for their case. This function would be available to all obligees.

With the ARU system available, the CSC may choose not to mail a deposit notice to obligees on direct deposit. This document assumes that deposit notification is not desired. The CSC may elect to give obligees the option of receiving deposit notification. Other system changes not acdressed in this document would be required to accommodate that functionality.

When an direct deposit authorization is entered on the Obligee EFT Authorization screen, a new field will be used to record the end date of the 10-day wait period after the pre-note is initiated. When actual payments are initiated, this field (EFFECTIVE DATE) will be checked to see that the prenote delay period has expired.

The delay in receipting automatic withdrawals will be reduced to one day so that automatic withdrawals and direct deposits may be effective concurrently.

Summary of Improvements

Three improvements will be accomplished when this system has been implemented. First, an obligee could call into the system from any tone-generating telephone, identify himself/herself by case number and obtain information about payment status. This would eliminate the need for the CSC to mail out a deposit notice and provide more efficient customer service. Second, the State will meet the guidelines set up by ACH by allowing deposits to only occur after the 10 day delay after pre-notification. Third, concurrent withdrawal/deposit will allow the obligees to receive payments in a more timely fashion.

Summary of Impacts

Hardware

The ICAR system resides on an IBM-370 which uses OS/VS as the operating system. Multiple personal computers operate in the CSC for support activity.

The same ARU identified in the Automatic Withdrawal document will be utilized for this application.

Software

The ICAR database is developed in IDMS Cobol as the batch processing software with the on-line software written in ADSO. The following modifications will be required to support this application:

ICAR Obligee EFT Authorization Screen ID# D479HR13 (see Appendix C) should be modified to support the following:

An "EFFECTIVE" field should be added next to the "PRENOTIFICATION" flag indicating the date that the prenotification will be complete. This date should be 10 calendar days past the date the account was setup and the prenote was initiated. A calendar file may need to be created to determine this date. This calendar file should be accessed through a file maintenance screen.

The ICAR system should compare the "EFFECTIVE" field with the date on which direct deposits are initiated. Transactions should be intiated only if the "EFFECTIVE" field shows a date prior to the current date (date of transmission).

This field would also be used by the CSC staff to notify the obligor when he/she may begin to utilize the ARU or when the automatic withdrawal payments will begin.

The Payment Look Up Screen ID#D479HS16 (see Appendix D) will need to be accessible by "INITIAL CASE NUMBER" (Screen Name "Account Number"). This may require system changes if this function is not currently available.

The two day delay in receipting automatic withdrawals should be reduced to one day. This would actually record the receipt before the funds were available to the CSC, but would make the direct deposit effective on the same day as the automatic withdrawal.

The deposit notification generation capabilities of the payment system should be defeated so that no deposit notifications are mailed to obligees.

Operational

No negative operational impacts should occur from this system.

Organizational

This system should be managed by the CSC with staff that currently operates the automatic withdrawal process.

REQUIREMENTS

Functions

This system will be required to perform the following functions:

Allow an obligee to call the ARU and inquire about the date of the last payment.

Provide a check of the "EFFECTIVE" date field prior to initiation of a direct deposit so that no payments are made before the 10-day prenotification delay expires.

Allow concurrent automatic withdrawals and direct deposits. Once the delay in receipting automatic withdrawals is reduced to one day, the withdrawal and deposit transactions should be effective on the same day.

The ARU would function as a CRT operator accessing the Payment Look Up Screen ID# D479HS16 (see Appendx D). The following represents a sample script for the ARU:

"Welcome to the Iowa Automated Collection System."

"To make a payment, press 1."

(See the automatic withdrawal section for the script for making a payment.)

"To inquire about a payment, press 2."

"Please enter your case number." The ARU will then perform a PF5 using the case number on the Payment Look Up Screen ID# D479HS16 to determine a valid case number.

"Payment amounts and the dates received are as follows: 'September 1', '$400.00'; 'August 1', '$400.00'. The ARU will give then speak 'Receipt Date' and 'Receipt Amount' for as many dates as the CSC desires.

"To make additional inquiries, press 3, otherwise hang up." The ARU will then pass the call to a human operator if the "3" is pressed otherwise, it will terminate the call.

Performance

Accuracy

Payment information should not require a password since the telephone inquirer needs to know the case number and dates and amounts are not sensitive information.

Flexibility

The ARU should be developed in conjunction with the automatic withdrawal system.

Inputs and Outputs

Inputs

Input into the system will be through the ARU which will act as a CRT operator.

Output

Implementation of this system does not create any additional output. It does eliminate the need for the deposit advice currently being mailed to obligee.

Failure Contingencies

Backup

The software on the ARU should be backed up for contingency planning should the unit fail and a new unit be required.

Fall Back

If for any reason the ARU is unavailable, customer service can provide the same service by accessing the same CRT screen.

Recovery and Restart

The system should be designed to automatically logon and supply the ARU with the Payment look up screen. This will allow the ARU to begin processing.

Documentation

The following documentation should be produced and become an inherent part of this system:

Operations Manual containing instructions on operating the hardware and modifying the software of the ARU.

General and Detail Design documents which are produced to develop this system.

OPERATING ENVIRONMENT

Equipment

IBM-370 Mainframe

Audio Response Unit (ARU) which attaches to a controller which is currently driving the CSC CRT's.

Support Software

ARU development software which typically comes with the ARU.

Interfaces

The ARU will interface with the IBM-370 as a 327X terminal. It will communicate with the IBM-370 through an existing 327X controller.

Controls

No specific controls are necessary for this system.

CHARGES TO OBLIGOR CREDIT CARD ACCOUNTS

GENERAL INFORMATION

Nature of the System

Accepting credit card payments from obligors has the primary advantage of offering obligors an alternate means of remittance that may increase the likelihood of consistent payment. Agencies can be given authorization by obligors to automatically charge their credit card accounts at specified times in specified amounts. For prearranged periodic charges, the State would periodically submit to the processor or bank an electronic file of accounts for credit card charges. These items are also processed on a daily basis therefore meeting the need for immediate settlement and availability of funds.

OVERVIEW

Background, Purpose and Scope of the System:

Currently, the only forms of payment accepted by the CSC are checks, money orders, automatic withdrawals from checking or savings, cash or cashier's checks. Credit cards could be an alternate form of payment accepted in two ways:

As a prearranged periodic charge to the obligor's credit card (which would not require the physical card to be present),

As an obligor-initiated charge recorded by an audio response unit (ARU).

The scope of this document is to define the necessary processes and materials needed to implement credit card acceptance, remittance and settlement via electronic means in order to expedite obligor payments.

This document assumes that the MasterCard and Visa bankcards are the only cards accepted for payment. The term "credit card" is used throughout this document to reference these two bankcards.

This document assumes a PC-based system for initiating credit card charges rather than a mainframe system. This is done to minimize the development time necessary to put the payment process in place by eliminating the need to specify a mainframe application to format, generate and transmit credit card transaction files. The PC-based system also offers the flexibility of submitting small numbers of daily credit card transactions. This is not possible with a mainframe application.

Performance Objectives

Obligor:

Credit card acceptance offers the obligor an alternative payment method that may be more convenient and easier to manage than cash or check payment. Prearranged charges offer the obligor the convenience of automatic payment as well as protection against forgetting to make the payment. Credit card payment initiated through an ARU allows the obligor the additional convenience of being able to determine the effective date of the charge.

CSC:

Accepting credit cards may secure payment from obligors who would not otherwise pay consistently and help the Clerk's office provide payments for more obligees. The prearranged credit card process would reduce the administrative work for the CSC of processing and depositing checks.

Existing Methods and Procedures

Since the CSC currently does not employ the acceptance of credit cards for child support payments, existing methods or procedures do not apply.

Proposed Methods and Procedures

Prearranged periodic credit card charges would work as follows:

The CSC would obtain a form from the obligor authorizing it to charge his/her account each month for the payment amount. Each day the CSC would present to its processor or financial institution a file of those accounts to be charged. As with the automatic withdrawal process, some administrative effort will be involved initially in handling applications and authorization forms. The daily process of producing files to initiate the charges will require a small amount of time.

Credit card charges initiated by an obligor accessing an ARU would work as follows:

The process for handling ARU-initiated transactions would be very similar to that for handling monthly prearranged charges. However, the charge would not be initiated until the obligor accessed the ARU through a tone-generating telephone, input his/her case number and access code and answered several questions, authorizing the county to charge the payment to the credit card. The charge would then be merged with the prearranged credit card charges and transmitted to the processor or financial institution for settlement.

Transmission of prearranged periodic charges for batch processing is somewhat involved and most processors require a minimum number of transactions (200) per deposit. Variables such as speed of data transmission and format of transaction information should be researched during processor selection. Batch processing is quite economical with higher transaction volumes.

Due to the minimum daily transaction volumes and higher initial expense involved with batch processing, it may be practical to initially process all credit card transactions individually. This can be accomplished by using a point-of-sale (POS) terminal or PC software that emulates a POS terminal. The operator would simply enter the credit card number, enter the dollar amount of the payment being collected and send the transaction to the processor for authorization and capture.

Prearranged periodic charges could be maintained by a "tickler" file system that grouped obligor credit card information by the date that payment is to be initiated. Each day, the appropriate file could be printed so that the charges could be entered into the POS terminal (or POS emulation program on the PC). The ARU-initiated charges for that day could be handled in the same manner.

Summary of Improvements

Accepting credit card payments offers the obligor an alternative payment method which may increase the likelihood of consistent payment. Prearranged periodic charges make the funds available soon after the court-ordered due date. Electronic transaction processing reduces the time required to prepare deposits.

Summary of Impacts

Hardware

An ARU will need to be acquired. The ARU should be designed to operate on an IBM compatible personal computer so that the credit card software could also be resident and utilized for processing.

The PC must support a 300 baud modem and a printer.

A standard dot matrix printer will be required for reporting of ARU activity.

A 300 baud modem will be required for transmitting the credit card batch file (if used) to the processor or financial institution.

A POS terminal with printer will be required if this method of submitting credit card payments is used.

Software

A data base will be required on the PC supporting the ARU. This date base will require the following elements:

- Case Number
- Case Name
- Access Code
- Payment Amount
- Credit Card Number
- Credit Card Expiration Date
- Pre-authorization Date
- Case Type (Indicator for Child Support vs. Alimony)

A PC-based software package from the selected processor or financial institution will be required to initiate the credit card charges if a POS terminal is not used. This may be either batch processing software, if transaction volumes are sufficient, or it may be POS emulation software.

A customized ARU application will need to be developed.

A Daily Transaction Report will need to be created on the PC to document daily activity. This report should contain the following information:

- Transaction Date
- Transaction Time
- Case Number
- Case Name
- Credit Card Number
- Credit Card Expiration Date
- Payment Amount
- Total Number of Payments
- Total Dollars of Payments

A PC-based report and/or file generation program will need to be developed to generate input for the ICAR to record credit card receipts.

Operational

Since this is an additional payment method not currently utilized by the CSC, processing will require some additional operations time. This will be offset to some extent by the reduction in number of checks processed.

Organizational

This system should be managed by the CSC with staff that currently operates and reconciles the remittance processing and receipting functions.

REQUIREMENTS

Functions

Prearranged periodic credit card charges would work as follows:

The CSC would first obtain a form from the obligor authorizing it to charge his/her account each month (or more frequent period) for the payment amount. Initially, the daily transaction volume may be too low to make batch processing practical. Charges to be initiated for a given day of the month would be recorded in a common file on the PC. On the appropriate date, these records would be printed for the operator to manually enter into a POS terminal or transfer to a POS emulation program on the PC. Charges received that day through the ARU would also be printed for entry in the same manner.

Using the POS terminal or POS emulation program, the operator would simply enter the credit card number and dollar amount of the payment being collected and transmit the transaction to the processor for authorization. Each transaction would be submitted individually and receive a separate authorization.

At the end of the day (or the end of the session), the operator would initiate the settlement and deposit process. The operator would total the number of transactions and the dollar amount of those transactions from the reports. The operator would then compare these totals with those recorded by the POS terminal and the processor. When all totals agree, a settlement transaction would be initiated to confirm the deposit amount.

As transaction volume grows, a PC-based batch processing system could be used. Then, each day the CSC would present to its processor or financial institution a file of those accounts to be charged. This would be accomplished utilizing a software package provided by the selected processor or financial institution. This file would also contain the transactions that were initiated through the ARU.

The funds for all credit card charges will be deposited into the CSC's account within one to three days and will be reflected on the daily account statement. Detailed reports will be provided from the software package to document the charges and confirm the total deposit amount.

The obligor initiated payment system would perform the following functions:

Allow an obligor to call an ARU through a tone generating telephone and authorize the State to originate a charge to a pre-authorized credit card.

Process ARU originated payments in the same as pre-authorized monthly payments.

The ARU would function as an operator obtaining required information necessary for the acceptance of a payment. The following represents a typical script for the ARU:

"Welcome to the Iowa Automated Collection System."

"Please enter your case number." The ARU will then access the data base that resides on the PC to determine if the case number has been pre-authorized.

"Please enter your access code." The ARU will then compare the access code entered with the ACCESS CODE field on the data base screen and continue if a match is found, otherwise, the ARU will speak "invalid ACCESS CODE, please reenter". If the obligor makes several incorrect attempts, the ARU will terminate the call.

"The amount of your payment is '$400.00' (from the pre-authorized amount in the data base). Is this correct? Press 1 for yes or 9 for no."

If Yes, the ARU will move to the next prompt.

If No, the ARU will speak "please enter the amount you would like to pay. Enter the dollar and cents separately. Enter the dollars you would like to pay and press the pound sign. Enter the cents you would like to pay and press the pound sign. You have entered '$350.00'. Is this correct? Press 1 for yes or 9 for no".

"You have requested a payment of '$400.00' applied to your pre-authorized credit card. Press 1 for yes or 9 for no."

If yes, the ARU will speak "thank you for making your payment through the Iowa Automated Collection System".

If no, the ARU will return to the prompt after "ACCESS CODE" verification.

A Daily Transaction Report should be run to provide detail information pertaining to each day's activity. This report will contain sufficient information to manually process the payments with the POS terminal, if desired. Otherwise, these payments would then be merged into the batch file that is transmitted daily to the processor or financial institution.

Several options exist for entering the receipt information into the ICAR system:

CSC staff could perform a manual receipting procedure for each credit card charge as is now done for the cash or check payments which are received without coupons. A PC-generated daily report can be used to enter the receipts.

A report program could be developed which would allow the PC to print a payment coupon for each credit card charge initiated. This could be a part of a batch processing system or the POS-based entry system. The coupon would then be processed through the remittance processing system.

Finally, the credit card charges could be formatted into a file format similar to the remittance processing system file that is transmitted to the IBM-370 each day. This file would need to include some data elements, such as case number, from the PC data base which are not on the credit card transaction itself. The ICAR system would need to be modified to merge these records into the remittance processing file for input.

Performance

Accuracy

As the data base is created, it is important to ensure that the credit card numbers being input are accurate. A "pre-auth" transaction for $1.00 should be performed for each credit card as it is being set up on the data base. This can be done by using the POS terminal or the POS emulation program on the PC if either of these are available. A voice authorization could be obtained if a batch processing system were being used.

This transaction will ensure that each card is valid and the information provided is correct. A "pre-auth" transaction will not affect settlement totals, will not actually transfer any funds and will not be reported on the obligor's credit card account statement.

Flexibility

The system should be designed to support additional case types such as alimony for future expansion of this collection system.

Inputs and Outputs

Inputs

Authorization forms and POS terminal receipts must be kept on file according to the requirements of the processor or financial institution.

When a batch transmission file is sent to the processor or financial institution for pre-authorized or ARU-initiated credit card payments, rejected charges will automatically be returned to the PC. The CSC will have to reverse the receipting process when this occurs.

Outputs

The ARU will produce a file for input into the software program provided by the processor or financial institution for obligor-initiated credit card payments.

The following reports will need to be generated on the PC for settlement and reconcilement:

Daily Transaction Report reflecting ARU activity,

Daily Activity Report provided by the processor's software program to report the charges that were accepted and deposited.

Input into the receipting system would remain the same as is currently being performed for cash or checks.

FAILURE CONTINGENCIES

Backup

The software on the ARU should be backed up as a contingency if failure of the ARU occurs and a replacement is required.

The PC program should contain an automatic backup for protection of the data base. This could be done on diskette until such a time that the data base grows and a tape backup unit would be practical.

Fall Back

If for any reason the ARU and PC fail, the State has sufficient information on hand to manually create a paper draft which can be deposited at the financial institution. This procedure, although cumbersome, will allow payments to continue to be made.

Recovery and Restart

The batch processing system should not allow the same credit card payments to be transmitted on consecutive days. The system should allow for credits to be processed should an error occur and an improper credit card charge be processed.

Documentation

The following documentation should be provided and become an inherent part of this system:

Operations manual for ARU system, PC system.

Operations manual for the batch processing software program provided by the selected processor or financial institution.

User's Manual containing information on a detail level of all reporting, reconciliation procedures, and exception processing.

General and Detail Design documents which are produced to develop this system.

OPERATING ENVIRONMENT

Equipment

Audio response unit operating on an IBM or compatible personal computer

Dot Matrix printer for personal computer

300 baud modem for personal computer

Support Software

Software provided by processor or financial institution which provides functionality for batch processing of credit card payments.

Software provided by ARU manufacturer which provides initial functionality.

Interfaces

Single interface to financial institution or processor which is provided by software package.

Controls

The system should be designed to limit the possibility that a previous transmission to the processor or financial institution could be duplicated.

III.

PILOT PROJECT WORKPLAN

The following represents a suggested workplan for the implementation of the Iowa EFT pilot project. This workplan is divided into 6 components with an estimated project month duration identified for each component. Each component is described below.

Project Initiation - (PI) - This phase is utilized for procurement of the project implementation management vendor and for market research, final project definition and contract execution.

Phase 1 (DESIGN) - (P1) - This phase of the project is utilized for definition of requirements and identification of delivery dates, relevant options and issues to be considered for the successful implementation of this project.

Phase 2 (DEVELOPMENT) - (P2) - Upon completion of the Design phase, the Development phase begins. This phase consists of the following elements:

Conversion Requirements
System Programming Requirements and Software Modification
Unit Test Requirements and Testing
System Testing Requirements and Testing
Documentation Requirements and Creation
User Training Procedures and Plan
Installation Checklist Documentation

Phase 3 (IMPLEMENTATION) - (P3) - This phase is utilized for the final completion of all documentation, training of users, and preparation of physical environment.

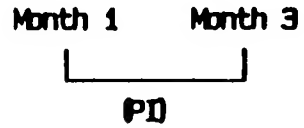
Phase 4 (OPERATION) - (P4) - This phase includes initial operation of the pilot system, development of evaluation criteria and evaluation of the system.

Project Evaluation - (PE) - This phase allows for the creation of the final project evaluation report to the State and for on-going maintenance of the system.

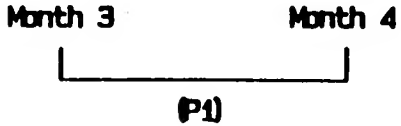
Included with this workplan is a detail list of activities and deliverables. Each task description is identified with the two digit acronym which is defined above for each component, i.e., PI, P1. P2 etc.

PILOT PHASES

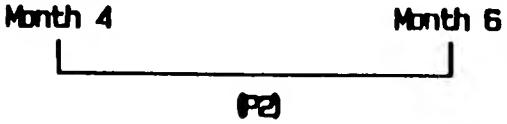
INITIATION
2 1/2 MONTHS



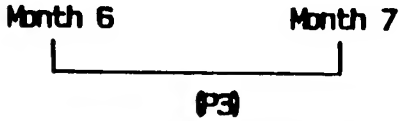
PHASE 1 DESIGN
1 1/2 MONTHS



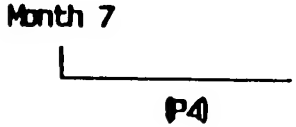
PHASE 2 DEVELOPMENT
2 MONTHS



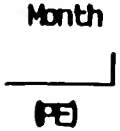
PHASE 3 IMPLEMENTATION
1 MONTH



PHASE 4 OPERATION
ONGOING



PROJECT EVALUATION



ACTIVITIES AND DELIVERABLES

Task #	Task Description
1.	PI - Select Vendor for Implementation Management Project Implementation
2.	PI - Perform Market Survey Employers Obligors/Obligees
3.	PI - Execute Contract
4.	P1 - Vendor/Iowa Planning Meeting
5.	P1 - Evaluate Market Survey Results
6.	P1 - Vendor Completes Systems Specifications
7.	P1 - Iowa Receives/Reviews Systems Specifications
8.	P1 - Meeting to Finalize Systems Specifications
9.	P1 - Vendor Submits Final Systems Specifications Document
10.	P1 - Iowa Receives Status Report
11.	P1 - Iowa Approves Final System Specifications Document
12.	P2 - Complete System Design Document
13.	P2 - Select Vendor for Hardware and Software
14.	P2 - Develop/Modify ICAR System
15.	P2 - Develop/Modify Reports
16.	P2 - Develop/Modify Administrative Terminal System (ICAR)
17.	P2 - Receive Hardware Defined in Specifications
18.	P2 - Develop/Modify ARU System Software
19.	P2 - Draft Financial Institution Settlement Guide
20.	P2 - Draft Client Application

Task #	Task Description
21.	P2 - System Unit Testing Begins
22.	P2 - Iowa Receives Status Report
23.	P2 - Formalize Employer Participation
24.	P2 - Finalize Financial Institution Settlement Guide
25.	P2 - Finalize Client Application
26.	P2 - Draft Administrative Terminal Training Guide
27.	P2 - Draft Iowa Report Manual
28.	P2 - Draft Iowa User Manual
29.	P3 - Mail Iowa Client Application
30.	P3 - Finalize Administrative Terminal Training Guide
31.	P3 - Finalize Iowa Report Manual
32.	P3 - Finalize Iowa User Manual
33.	P3 - Open Financial Institution Clearing Account (If Necessary)
34.	P3 - Evaluate Staff Requirements
35.	P3 - Verify Financial Institution Clearing Account Is Open
36.	P3 - Hire Staff as Required
37.	P3 - Complete Training Documentation and Materials
38.	P3 - Verify Billing Process for Iowa
39.	P3 - Iowa Approves Training Material
40.	P3 - Hire Voice for ARU
41.	P3 - Train Trainers
42.	P3 - Perform Financial Institution Settlement Training
43.	P3 - Complete Iowa Settlement Training
44.	P3 - Translate ARU Vocabulary to Additional Language if Required
45.	P3 - Perform Iowa User Training

Task #	Task Description
46.	P3 - Complete System Unit Test
47.	P3 - Order Equipment
48.	P3 - Order Communication Lines
49.	P3 - Vendor Performs Integrated System Test
50.	P3 - Iowa/Vendor Performs User Certification Test
51.	P3 - Install Communication Lines
52.	P3 - Install Equipment
53.	P4 - Iowa Receives Status Report
54.	P4 - Vendor Assists with Project Evaluation Criteria
55.	P4 - Process Client Applications
56.	P4 - System Goes Live
57.	P4 - Vendor/Iowa Monitors Reports Daily
58.	P4 - Vendor Profides Continual Customer Support
59.	P4 - Vendor/Iowa Monitor & Evaluate System Performance
60.	PE - Vendor Participates in Final Evaluation
61.	PE - Provide On-Going Maintenance

SECTION IV.

COST BENEFIT SUMMARY

This section summarizes the major costs and benefits of each of the selected EFT applications for child support collection and distribution. As there are yet several choices to be made in the implementation of this project, all the costs and benefits cannot be fully estimated. Of particular note are the costs for modifications to the ICAR system. Internal cost estimates can be generated as system elements are more fully defined.

Some cost elements depend on the specific hardware and software items selected. These costs can be determined as proposals are solicited from vendors.

Finally, there will be additional costs associated with implementation management and installation assistance. These will include costs for both State staff and the implementation management vendor.

Given the options and uncertainties, no attempt was made to compute a total cost for the project or a formal cost/benefit ratio. This will become more clear during the early phases of the pilot project and will be a part of the formal pilot project evaluation.

DIRECT DEPOSIT OF EMPLOYER INCOME WITHHOLDING

For employers involved in income withholding, there are several advantages of doing so by direct deposit:

Direct deposit eliminates the time and expense of preparing and sending checks to the CSC for each payroll period. For those employers who send a check for each employee, the cost savings could be substantial.

Similarly, direct deposit eliminates the time and expense of preparing and sending to the CSC a listing of employees for whom the payment should be applied. The savings would vary by employer according to the number of employees with income withholding and the current administrative procedures used by the employer.

Once an employee's child support payment is set up on the payroll system, the employer need take no further action unless the child support amount is changed.

The CSC and obligees benefit from the direct deposit of income withholding in the following ways:

The payments would be credited to the CSC's account precisely on the payroll date, avoiding the current five days or so that elapse while the employer's payroll personnel prepare the list of employees, write the check, and send the payment through the mail to the CSC.

The funds would be automatically deposited into the CSC's account, saving the staff time required to physically deposit these items.

The payments could be automatically recorded in the ICAR system and reduce the staff time required to manually enter the payments.

The costs for employers are minimal. They would be charged a fee by their bank of approximately $.06 to $.08 per direct deposit. For those employers who send a check for each employee, they would save the cost of generating each check. If the employer made a separate transmission to their bank (apart from the payroll direct deposit transmission), they would be charged a fee of approximately $10-$25 per transmission. These costs would likely be outweighed by the convenience and time savings from reduced administrative work in handling the payments through ACH.

For the CSC, the costs would be $.20 per payment received. The financial institution charges $.20 per deposit credit, regardless of size or the number of items included in the deposit. Unlike deposits of checks, which may have many payments recorded on a single deposit, each direct deposit payment results in a separate credit recorded in the account.

This deposit cost will not be a significant initially, since the number of transactions will be small. However, as volume grows, this cost will become substantial. The potential may exist for the financial institution to price electronic deposits separately from other deposits to appropriately reflect the lower cost of receiving electronic items.

As described in the system specifications, several options exist for receiving payment information from the financial institution and formatting it for input in to the ICAR system. The hardware and software required for receipt of payment information by tape transfer are understood to be available. If an existing bank relationship is used, no incremental costs for tape transfer would be incurred. Otherwise, a tape or transmission fee of approximately $100 per month would likely be incurred. Receipt of payment information by transmission would also require modem capabilities of either the mainframe computer or a PC.

If the payments are manually entered into the ICAR system, as income withholding payments are currently, no cost impact will result. However, automated update of the ICAR system would require an investment in programming to yield administrative time savings. Internal cost estimates for programming need to be prepared for the selected input option.

AUTOMATIC WITHDRAWAL FROM OGLIBOR CHECKING ACCOUNTS

The CSC currently offers obligors the convenience of automatic withdrawal. Obligors save the time and expense of writing checks while eliminating the possibility of forgetting to make a payment. Obligor-initiated withdrawal made by accessing an ARU would provide the obligor with the additional convenience of being able to time the payment to better manage his checking account balance. Obligees benefit by receiving payment earlier and more regularly. Withdrawals are submitted so that the funds are available to the CSC precisely on the due date specified by the court order. This avoids the mail delays that occur when obligors mail their payments on the date due or soon after.

For the CSC, the administrative work of processing and depositing these payments is eliminated. The automatic withdrawal process automatically updates the ICAR system for the receipts initiated.

No costs are incurred by either the obligor or obligee for this process.

The CSC incurs the following costs for operating the automatic withdrawal process:

Tape charges	A maximum of $150 per month
Transaction fees	$.06 per transaction (approximate)

Additional costs are incurred for printing and mailing the applications and for staff time for setting up and maintaining the records on the system.

The costs to the CSC for obligor-initiated withdrawals utilizing an ARU would be as follows:

ARU hardware, software, and installation	$28,000 (approximate)
Monthly licensing and maintenance for hardware and software	$300 per month (approximate)
Telephone lines	$100 each for installation $ 50 per month
ARU programming and voice recording	$16,000 (approximate)

Actual costs and system configuration will depend on the ARU system chosen and the volume of calls received. ARU programming costs, based on a rough estimate of 40 person-days of work, will vary with the ARU system chosen and the complexity of the interface with the ICAR system. The amounts noted for telephone lines are customary rates. The CSC may be able to obtain more favorable pricing. Internal costs will also be incurred for the ICAR system modifications described in the system specifications.

DIRECT DEPOSIT TO OBLIGEE CHECKING ACCOUNTS

The CSC currently offers obligees the convenience of direct deposit. The obligees no longer need to wait for the check to come in the mail and then take the check to the bank to deposit it. Additionally, their funds are available within one day after payment is initiated by the CSC. This time compares favorably to the approximately four days it takes for mail delivery and deposit of checks.

The direct deposit approach offers potential savings to the CSC of approximately $.2674 per transaction by avoiding the following costs for warrant production:

Warrant stock	$.02
Bank charge for warrant redemption	.015
Postage	.21
Envelope	.0224
Total	$ .2674

Currently, the CSC saves only the $0.015 for warrant redemption since a deposit notice is still printed (similar to the cost of printing a warrant) and sent to all direct deposit obligees If an ARU were made available to obligees, they could call to determine if payment had been made and may not require a deposit notice. This would allow the CSC to realize the full $.2674 savings available. Additional savings of fixed expenses and overhead costs could accure as direct deposit volume grows substantially.

The CSC's expenses involved in the direct deposit process include the following:

Tape charges	A maximum of $150 per month
Transaction fees	$.16 per transaction (24-hour turnaround)

Additional costs are incurred for printing and mailing the applications and for staff time for setting up and maintaining the records on the system.

The costs to the CSC for obligee inquiries utilizing an ARU would be as follows:

ARU hardware, software, and installation	none additional to obligor-initiated automatic withdrawal system
Monthly licensing and maintenance for hardware and software	none additional to obligor-initiated automatic withdrawal system
Telephone lines (if needed)	$100 each for installation $ 50 per month
ARU programming and voice recording	$4,000 (approximate)

The cost for set up and operation of the ARU would be very small since the same ARU could be used for this application as is used for obligor initiation of withdrawals from checking. Actual costs and system configuration will depend on the ARU system chosen and the volume of calls received. ARU programming costs, based on a rough estimate of 10 person-days of work (incremental to development of the obligor-initiated withdrawal ARU application), and will vary with the ARU system chosen and the complexity of the interface with the ICAR system.

Additional phone lines may also be required depending on the volume of calls received, particularly if all obligees are notified of the ARU availability. If more than four telephone lines are used, additional ARUs would be required as well. Incremental ARUs could be obtained at a slight discount and additional programming effort would be negligible.

Additional costs will be incurred to make the system changes noted in the system specifications section. Internal estimates of the costs are needed. System changes were also specified to make possible the concurrent automatic withdrawal and direct deposit of payments. These will also need to be costed internally.

CHARGES TO OBLIGOR CREDIT CARD ACCOUNTS

Prearranged charges to obligor credit cards offer more timely payment for the obligee and additional convenience for the obligor. Obligor-initiated credit card charges made by accessing an ARU would provide additional convenience for the obligor.

As indicated by the experience of other states, obligors who select this alternative are often those with poorer payment records and those who need help making the payments. The administrative costs avoided by preventing an obligor from going into arrears could help defray the transaction costs of this approach. In other words, it is much less expensive to pay the credit card fee than to initiate a court action against an obligor who is in arrears.

Charges could be submitted so that the funds are available to the CSC precisely on the due date specified by the court order. This would avoid the current average delay of about three days when some obligors mail their payment on the due date or shortly afterward.

For the CSC, the pre-authorized credit card process would reduce the administrative work of processing and depositing checks, and, with automated transfer of payment information to the ICAR system, eliminate the manual entry of information into the payment system or use of the remittance processing equipment.

Initially, when transaction volumes are low, a POS terminal or PC-based POS emulation package may be used to initiate transactions. Transaction costs for credit card charges submitted in this way would be no more than 2% of the payment amount. This would yield a charge of $3.00 on a $150 payment. Additional fees apply to returned items. The cost of the terminal or software is typically provided at no charge, as is initial training.

Staff time would be required for setting up and maintaining the database of obligor charges. Additional staff time would be required daily to initiate each of the transactions. To the extent that applications for credit card payment are not integrated with those for automatic withdrawal, additional costs will be incurred for printing and mailing the applications.

The costs to the CSC office for obligor-initiated charges utilizing an ARU would be as follows:

ARU hardware, software, and installation and PC	$30,000 (approximate)
Monthly licensing and maintenance for hardware and software	$300 per month (approximate)
Telephone lines	$100 each for installation $ 50 per month
ARU programming and voice recording	$4,000 (approximate)

A separate ARU configuration is necessary for this application since the ARU for the obligor-initiated withdrawal and direct deposit/customer service inquiry applications interfaces directly with the ICAR system rather than a PC. A single ARU can not interface with both a mainframe system and a PC. Actual costs and system configuration will depend on the ARU system chosen and the volume of calls received. ARU programming costs, based on a rough estimate of 10 person-days of work (incremental to development of the obligor-initiated withdrawal and direct deposit/customer service inquiry ARU applications), and will vary with the ARU system chosen and the complexity of the interface with the ICAR system.

Internal costs will also be incurred for the ICAR system modifications described in the system specifications section.

APPENDICES

PPD — PREARRANGED PAYMENTS OR DEPOSITS
CCD — CASH CONCENTRATION OR DISBURSEMENT

ACH RECORD FORMATS

	RECORD TYPE	PRIORITY CODE	IMMEDIATE DESTINATION	IMMEDIATE ORIGIN	TRANSMISSION DATE	TRANSMISSION TIME	FILE ID MODIFIER	RECORD SIZE	BLOCKING FACTOR	FORMAT CODE	DESTINATION ACH	ORIGIN ACH	REFERENCE CODE
	'1'				YYMMDD	HHMM		'094'	'10'				
LGTH	1	2	10	10	6	4	1	3	2	1	23	23	8
POS	01 01	02 03	04 13	14 23	24 29	30 33	34 34	35 37	38 39	40 40	41 63	64 86	87 94

	RECORD TYPE	SERVICE CLASS CODE	COMPANY NAME	COMPANY DISCRE-TIONARY DATA	COMPANY IDENTIFI-CATION	STANDARD ENTRY CLASS	COMPANY ENTRY DESCRIPTION	COMPANY DESCRIPTIVE DATE	EFFECTIVE ENTRY DATE	SETTLEMENT DATE (JULIAN)	ORIGINATOR STATUS CODE	ORIGINATING DFI IDENTIFI-CATION	BATCH NUMBER
	'5'								YYMMDD				
LGTH	1	3	16	20	10	3	10	6	6	3	1	8	7
POS	01 01	02 04	05 20	21 40	41 50	51 53	54 63	64 69	70 75	76 78	79 79	80 87	88 94

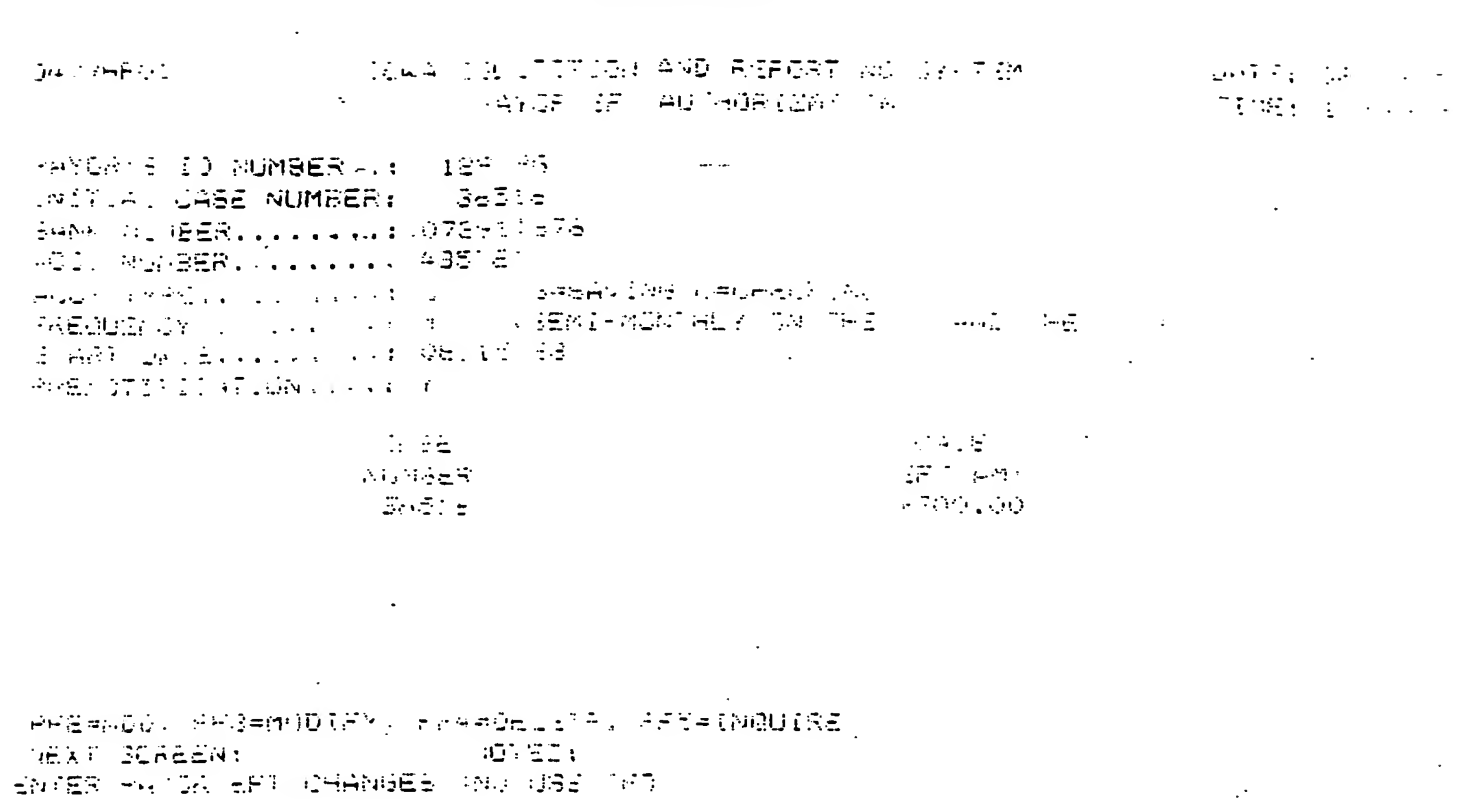
	RECORD TYPE	TRANSACTION CODE	RECEIVING DFI	TRANSIT ROUTING CHECK DIGIT	DFI ACCOUNT NUMBER	AMOUNT	INDIVIDUAL IDENTIFI-CATION NUMBER	INDIVIDUAL NAME	DISCRE-TIONARY DATA	ADDENDA RECORD INDICATOR	TRACE NUMBER
	'6'										
LGTH	1	2	8	1	17	10	15	22	2	1	15
POS	01 01	02 03	04 11	12 12	13 29	30 39	40 54	55 76	77 78	79 79	80 94

	RECORD TYPE	ADDENDA TYPE CODE	ADDENDA INFORMATION	TRACE NUMBER
	'7'			ADDENDA SEQUENCE / ENTRY DETAIL SEQUENCE
LGTH	1	2	80	15
POS	01 01	02 03	04 83	84 94

	RECORD TYPE	SERVICE CLASS CODE	ENTRY/ADDENDA COUNT	ENTRY HASH	TOTAL DEBIT AMOUNT	TOTAL CREDIT AMOUNT	COMPANY IDENTIFI-CATION	RESERVED	RESERVED	ORIGINATING DFI IDENTIFICA-TION	BATCH NUMBER
	'8'										
LGTH	1	3	6	10	12	12	10	10	6	8	7
POS	01 01	02 04	05 10	11 20	21 32	33 44	45 54	55 73	74 79	80 87	88 94

	RECORD TYPE	BATCH COUNT	BLOCK COUNT	ENTRY/ADDENDA COUNT	ENTRY HASH	TOTAL DEBIT AMOUNT	TOTAL CREDIT AMOUNT	RESERVED
	'9'							
LGTH	1	6	6	8	10	12	12	39
POS	01 01	02 07	08 13	14 21	22 31	32 43	44 55	56 94

APPENDIX B



APPENDIX C

APPENDIX D

```
D479HS16          IOWA COLLECTION AND REPORTING SYSTEM          DATE: 02/(
                        PAYMENT LOOK UP SCREEN                  TIME: 11:3

ACCOUNT NO      PAYOR NO      ACCT TYPE      AMOUNT
   15033          52466          17

PAYEE....: TWILAH HOTOPP
PAYOR....: FRANKLIN T. BUTTS
           1329 HARDING

           DES MOINES        IA 50314
EMPLOYER.: PRECISION CLEANING                    CASE STATUS: OPEN

OBL.                          EFFECTIVE     END     RECEIPT          RECEIP
TYPE   FREQ        AMOUNT       DATE        DATE      DATE           AMOU
 CS      W          35.00    07/10/1987              07/25/1988       140.(
 CS      W          15.00    03/14/1973              07/14/1988       140.(
                                                     06/30/1988        70.(
                                                     06/20/1988        70.(
                                                     06/20/1988        70.(
                                                     06/17/1988        47.(

PFS=INQUIRY
NEXT SCREEN: LOOKUP      NOTES:

4B                  Aa
```